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**Market units**

We use our own sales organization consisting of 24 market units to market and sell our systems and services to customers in over 175 countries via a worldwide sales and support network. Each market unit represents either a single country or a group of countries, depending on the extent of our business activities in that region. We have significant sales in all of the largest geographic markets for telecommunications, with no individual country accounting for more than 7 percent of sales. For the Services business, represented in 140 countries, local knowledge is key and therefore most of the 28 000 employees in our service organization are based within the local market units.

The majority of our market units operate through local subsidiaries that are present in each country. We use our local presence to help our customers achieve greater efficiencies and gain access to recognized world-class support resources wherever they operate. The market units utilize the product expertise of the business units in tailoring and integrating our products for delivery to customers.

**Operational excellence**

We are convinced that Operational Excellence is a competitive advantage. Therefore we are continuously focusing on how to improve our internal processes, support systems and ways of working. Our mission to take our customers forward in the best possible way requires well developed change capabilities, efficient and effective processes that consistently yield innovative, high-quality products and services with low cost of ownership.

No matter how far we have come, we will always continue to drive Operational Excellence across the company. By continuously learning from our experiences and the needs of our customers we will become an even better company.

**Working at Ericsson**

We believe that every employee should be treated with respect and dignity. We value the rich diversity and creative potential of people with differing backgrounds and abilities. A culture of equal opportunities in which personal success depends on personal merit and performance is encouraged throughout our operations.

Every year we conduct an employee satisfaction survey to assess our Human Capital Index.

We maintain an open management style that involves our employees in daily decisions that affect them as well as longer-term matters. We are fully committed to keeping all employees informed about the implications of major business changes and other relevant matters. Key business priorities are communicated throughout the organization and form part of the basis for employee remuneration and incentive plans. Details of these plans appear in Notes to the Consolidated Financial Statements—Note C29, “Information Regarding Employees, Members of the Board of Directors and Management”. We also have constructive relationships with a variety of trade unions, including formal recognition and active dialog where appropriate.

For information on our Corporate Responsibility, please see separate “Corporate Responsibility Report”.

For information on our Corporate Governance, please see “Corporate Governance Report” in this document.

*Our vision—how we see the world*

Our vision is to be the Prime Driver in an all-communicating world.

*Core values—how we act*

Professionalism, Respect and Perseverance are the cornerstones of the Ericsson culture, guiding us in our daily work, both in how we relate to people and how we conduct our business.

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These values form the foundation of how we operate our business. Our core values define how we treat each other, our customers and our business partners and therefore they define our culture. Characteristics of our culture are exhibited by a passion to win; employee diversity, honesty, trust and support for each other; integrity and high ethical standards; and leadership by example at all levels. We believe the best way to further develop our business is to remain accountable to ourselves and to our customers.

*Results—how we measure our performance*

We measure three fundamental metrics: customer satisfaction, employee satisfaction and financial returns for our owners. We believe that highly satisfied customers, empowered employees and an enduring capability for value creation for our shareholders help to assure a competitive advantage.

**Changes in organization and management***Organizational changes made during 2007:*

- A new organization is effective as from January 1, consisting of Networks, Global Services and Multimedia.
- As per January 24, Ericsson completed the cash tender offer for US-based Redback Networks, now part of segment Networks.
- On February 12, Ericsson announced the acquisition of Entrisphere, a company providing fiber access technology.
- On February 26, Ericsson announced a voluntary public cash offer to acquire Tandberg Television. On May 8, Ericsson held more than 90 percent of the outstanding shares in Tandberg Television, and initiated a compulsory acquisition of the remaining shares.
- On March 15, Ericsson announced the acquisition of business and assets of Mobeon AB, a world leader in IP-messaging components for mobile and fixed networks.
- On June 5, Ericsson announced a voluntary public cash offer to acquire LHS AG. LHS brings a postpaid billing offering.
- On June 7, Ericsson announced the acquisition of Drutt Corporation; a Swedish company that develops Mobile Service Delivery Platform.
- On December 20, Ericsson announced the acquisition of Hyc Group, a Spanish company with competence as a systems integrator of IPTV solutions.

*Changes in the Group Management Team:*

- As per January 2007, Kurt Jofs was appointed head of the new business unit Networks.
- As per January 2007, Jan Wäreby was appointed head of business unit Multimedia and included in the Group Management Team.
- As per January 2007, Sivert Bergman left the Group Management Team as Marconi was fully integrated.
- As per January 2007, Torbjörn Nilsson left the Group Management Team.
- As per October 25, Karl-Henrik Sundström, CFO and head of Group Function Finance, left Ericsson and Hans Vestberg was appointed CFO.
- As per January 2008, Jan Frykhammar was appointed Senior Vice president and Head of Business Unit Global Services, and included in the Group Management Team.

For more information about management, please see "Notes to the Consolidated Financial Statements—Note C29, Information Regarding Employees, Members of the Board of Directors and Management".

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**FORWARD-LOOKING STATEMENTS**

This Annual Report includes “forward-looking statements” including statements reflecting management’s current views relating to the growth of the market, future market conditions, future events and expected operational and financial performance. The words “believe”, “expect”, “anticipate”, “intend”, “may”, “could”, “plan”, “estimate”, “will”, “should”, “could”, “aim”, “target”, “might” or, in each case, their negative, and similar words are intended to help identify forward-looking statements. Forward-looking statements may be found throughout this document, but in particular in the sections captioned “Operational Review”, “Board of Directors’ Report” and “Information on the Company” and include statements regarding:

- our goals, strategies and operational or financial performance expectations;
- the growth of the markets in which we operate;
- our liquidity, capital resources, capital expenditures and our credit ratings;
- the expected demand for our existing as well as new products and services;
- the expected operational or financial performance of our Sony Ericsson joint venture and other strategic cooperation activities;
- technology and industry trends including competition and our customer structure; and
- our plans for new products and services including research and development expenditures,

Although we believe that the expectations reflected in these and other forward-looking statements are reasonable, we cannot assure you that these expectations will materialize. Because forward-looking statements are based on assumptions and estimates, and are subject to risks and uncertainties, actual results could differ materially from those described or implied herein. Important factors that could affect whether and to what extent any of our forward-looking statements materialize include, but are not limited to:

- our ability to respond to changes in the telecommunications market and other general market conditions in a cost effective and timely manner;
- developments in the political, economic or regulatory environment affecting the markets in which we operate, including trade embargos, changes in tax rates, changes in patent protection regulations, allegations of health risks from electromagnetic fields, cost of radio licenses for our customers, allocation of radio frequencies for different purposes and results of standardization activities within telecommunications;
- the effectiveness of our strategies and their execution including partnerships, acquisitions and divestitures;
- financial risks, including changes in foreign exchange rates or interest rates, lack of liquidity or access to financing, changes in tax liabilities, credit risks in relation to counterparties, customer defaults under significant customer financing arrangements and risks of confiscation of assets in foreign countries;
- the impact of the consolidation in the industry, and the resulting reduction in the number of customers, and adverse consequences of a loss of, or significant decline in, our business with a major customer;
- the impact of changes in product demand, price erosion, competition from existing or new competitors or new technologies or alliances between vendors of different types of technology and the risk that our products and services may not sell at the rates or levels we anticipate;
- the product mix of our sales;
- our ability to develop commercially viable products, systems and services, to acquire licenses of necessary technology, to protect our intellectual property rights through patents and trademarks and to defend them against infringement, and results of patent litigation;

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- supply constraints, including component or production capacity shortages, suppliers' abilities to cost effectively deliver quality products on time and in sufficient volumes, and risks related to concentration of proprietary or outsourced production in a single facility or sole source situations with a single vendor; and
- our ability to recruit and retain qualified management and other key employees.

Certain of these risks and uncertainties are described further in "Risk Factors." We undertake no obligation to publicly update or revise any forward-looking statements included in this Annual Report, whether as a result of new information, future events or otherwise, except as required by applicable law or stock exchange regulation.

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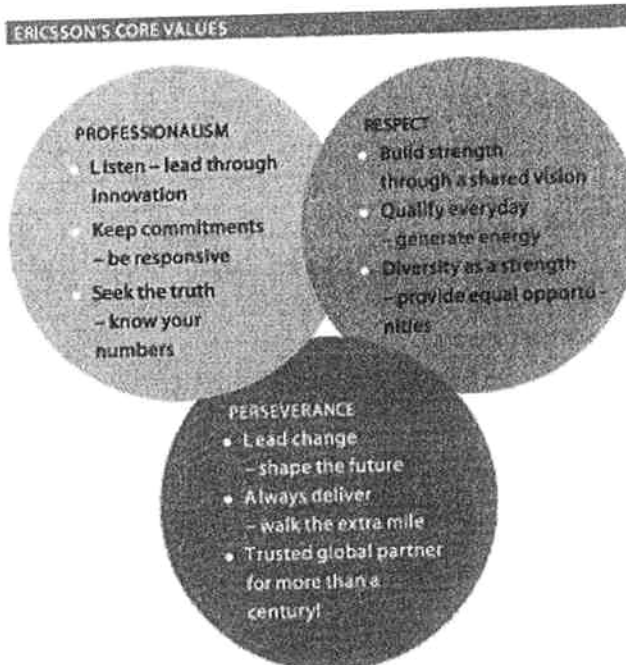
**CORPORATE GOVERNANCE REPORT 2007**

Corporate governance is a generic term that describes the ways in which rights and responsibilities are distributed among the various corporate bodies according to the rules, processes or laws to which they are subject. In practice, corporate governance defines the decision-making systems and structure through which owners directly or indirectly control a company.

**OUR COMMITMENT TO CORPORATE GOVERNANCE**

Ericsson is committed to high standards of corporate governance and strives to ensure that our strong ethos of corporate governance permeates the entire organization and the way we conduct business.

We have policies and directives that guide all employees in how they should work to meet legal and regulatory requirements and the ethical standards that we set for ourselves. The Company's reputation for integrity and good corporate citizenship stems from its core values of professionalism, respect and perseverance.



While these ideals and values are embedded in our ways of working, we know that controls and procedures are integral to maintaining our high standards and we are constantly seeking ways to make our corporate governance even more effective and reliable.

This Corporate Governance Report describes Ericsson's corporate governance, direction and management, including information on how the Board of Directors ensures the quality of the financial reports and its interaction with Ericsson's independent auditors. The auditors have not reviewed this report nor does it constitute a part of our formal annual report.

**HIGH STANDARDS IN BUSINESS ETHICS**

Our Code of Business Ethics sets out how we work to achieve and maintain our high standards. It summarizes the Group's fundamental policies and directives governing our relationships to each other and to our stakeholders.

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This document has been translated into more than 20 languages to ensure that everyone who works for Ericsson understands our policies and directives and the importance of conducting all business activities in an ethical manner. All employees must regularly review the Code of Business Ethics and, by signing a form as part of the recruitment routine and at regular intervals, acknowledge that they have understood its principles. Through this meticulous process, we strive to ensure that our high ethical standards are upheld by all employees in their daily work, and that employees make it their individual responsibility to ensure that business is conducted in accordance with the rules and guidelines set forth in this document. Our Code of Business Ethics satisfies the applicable requirements of the Sarbanes-Oxley Act of 2002 and NASDAQ. The Code can be found at: [www.ericsson.com/ericsson/corporate\\_responsibility/employees/code\\_businessethics.shtml](http://www.ericsson.com/ericsson/corporate_responsibility/employees/code_businessethics.shtml)

Information on our website does not form part of this document.

We also arrange corporate governance training for executives so that they can reinforce the messages among Ericsson's widespread workforce. In 2007, individual corporate-governance training included all-employee training in anti-corruption and corporate responsibility. The results of individual training are closely monitored and reported to management.

**COMPLIANCE WITH REQUIREMENTS**

As a Swedish public limited-liability company, Ericsson is governed on the basis of its Articles of Association and the Swedish Companies Act. We also apply the listing requirements of OMX Nordic Exchange Stockholm, which includes the Swedish Code of Corporate Governance ("the Code"). The Code is based on the "comply or explain" principle, which means a company may deviate from individual rules but must then explain why it has done so.

We also apply the listing requirements of the other stock exchanges on which we are listed; that is, the London Stock Exchange and NASDAQ. We satisfy applicable NASDAQ corporate governance requirements, subject to certain exemptions principally reflecting mandatory Swedish legal requirements. These exemptions are discussed in "NASDAQ Corporate Governance Exemptions" below. Moreover, we comply with applicable requirements of the Sarbanes-Oxley Act, including the certification of our Annual Report on the SEC's (Securities and Exchange Commission's) Form 20-F by the Chief Executive Officer and Chief Financial Officer. The Sarbanes-Oxley Act, commonly called SOX, is a United States federal law establishing, among other things, enhanced corporate governance standards. SOX applies to Ericsson because we have securities quoted on NASDAQ.

**Application of the Swedish Code of Corporate Governance**

Ericsson has applied the Code since July 2005. To ensure compliance with the Code and to seek compliance with best-practice provisions wherever possible, we are constantly evaluating and adapting our policies and directives as well as our procedures and internal processes.

Ericsson has never reported any deviations from the Code, nor do we have any deviations to report in 2007.

**CORPORATE BODIES IN CORPORATE GOVERNANCE**

Several corporate bodies govern and control Ericsson.

At General Meetings of Shareholders, the shareholders exercise their voting rights with regard to, for example, the composition of the Board of Directors of Ericsson and election of external auditors.

A Nomination Committee, a corporate body introduced through the Code in 2005 and not required by law, represents the shareholders and proposes candidates to serve as Board members, the Board Chairman and external auditors.



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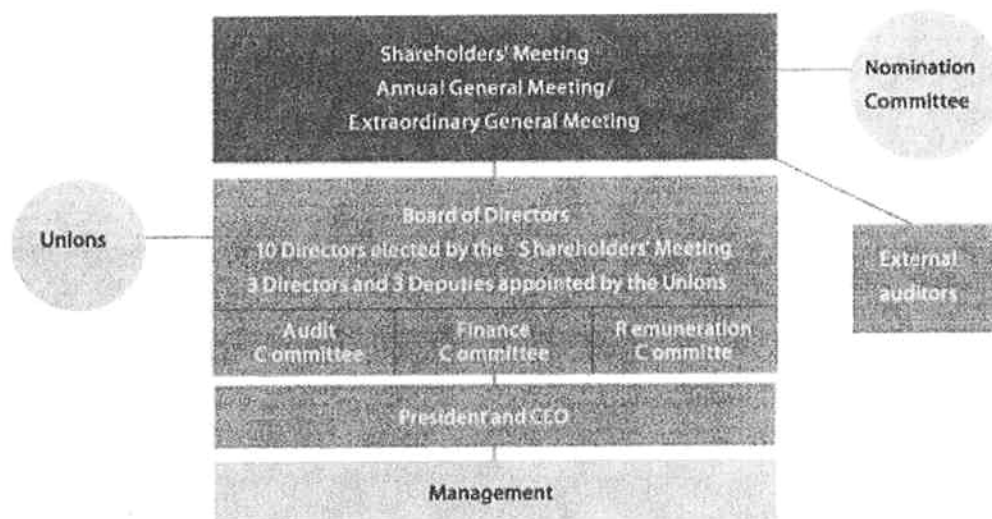
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The Board is responsible for Ericsson's long-term development and strategy as well as controlling and evaluating the Company's daily operations. In addition, the Board appoints the President of Ericsson, who is also the Chief Executive Officer (CEO). The duties of the Board are partly exercised through its three Committees; the Audit, Finance and Remuneration Committees.

The President and CEO is in charge of the day-to-day management of Ericsson in accordance with guidelines and instructions provided by the Board.

Ericsson is audited by independent, external auditors elected by the Annual General Meeting of Shareholders for a period of four years.

For more information on general aspects of Swedish corporate governance, please refer to the "Special Features of Swedish Corporate Governance" memorandum posted on the website of the Swedish Corporate Governance Board ([www.corporategovernanceboard.se](http://www.corporategovernanceboard.se)). Information on this website does not form part of this document.

**OUR CORPORATE GOVERNANCE STRUCTURE****MEETINGS WITH THE SHAREHOLDERS**

In accordance with the Swedish Companies Act and Ericsson's Articles of Association, shareholders who exercise their voting rights at the Annual General Meeting determine the composition of the Board of Directors and all other issues voted on at General Meetings of Shareholders.

The Annual General Meeting is held in Stockholm, generally at the end of March or beginning of April. The exact date is advertised, along with the agenda and information on how shareholders can give notice of attendance, on Ericsson's website and in the Swedish newspapers Svenska Dagbladet, Dagens Nyheter and Post- och Inrikes Tidningar, as well as in the European edition of Financial Times, as a courtesy to our shareholders abroad. Shareholders who cannot participate in person may be represented by proxy (proxies are valid for a maximum of one year). To allow non-Swedish speaking shareholders to participate, the Annual General Meeting is simultaneously interpreted into English. All information material is also available in English.

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There are three kinds of votes at General Meetings of Shareholders: Yes, No and Abstain. Resolutions at General Meetings of Shareholders are normally passed by simple majority. However, the Swedish Companies Act requires special quorums and majorities in certain cases. For example, the resolution to transfer own shares to employees participating in Ericsson's Stock Purchase Plan must be approved by 90 percent of the votes cast and by 90 percent of the shares represented at the General Meeting of Shareholders. Each Class A share carries one vote and each Class B share carries one-tenth of one vote. For more information on the shares of Ericsson, please see "Share Information" in the Annual Report.

The Annual General Meeting gives shareholders the opportunity to raise questions regarding the Company and the results of the year under review. The members of the Board of Directors, the Group management as well as the external auditors are normally all present to answer such questions.

Shareholders and other interested parties may also correspond in writing with the Board of Directors or executive management at any time.

The Board of Directors' Secretariat can be contacted by e-mail at [boardsecretariat@ericsson.com](mailto:boardsecretariat@ericsson.com), or by post:

Telefonaktiebolaget LM Ericsson  
The Board of Directors' Secretariat  
SE-164 83 Stockholm, Sweden

**Ericsson's Annual General Meeting 2007**

1,409 shareholders, representing 57.2 percent of the votes, attended the Annual General Meeting held on April 11, 2007, at the Annex to the Globe Arena in Stockholm. Ericsson's Board of Directors, Group management and the external auditors were present at the meeting. Decisions of the 2007 Annual General Meeting include:

- Re-election of Michael Treschow as Chairman of the Board of Directors, re-election of Marcus Wallenberg and Sverker Martin-Löf as Deputy Chairmen.
- Re-election of Sir Peter L. Bonfield, Börje Ekholm, Katherine Hudson, Ulf J. Johansson, Nancy McKinstry, Anders Nyrén and Carl-Henric Svanberg as members of the Board of Directors.
- Resolution to adopt the income statements and the balance sheets of the Parent Company and the Group as of December 31, 2006.
- Discharge of liability of the members of the Board of Directors and the President and CEO for the fiscal year 2006.
- Resolution that a dividend of SEK 0.50 per share be paid for the year 2006.
- Resolution that the number of Board members be 10 and that no deputies will be elected.
- Resolution that Board of Directors' fees remain unchanged and be paid as follows: Chairman SEK 3,750,000; other non-employed Board members SEK 750,000 each; in addition SEK 350,000 to the Chairman of the Audit Committee and SEK 250,000 each to the other two non-employed members of the Audit Committee; and SEK 125,000 each to the Chairmen and other non-employed members of the Finance and Remuneration committees.
- Approval of the Nomination Committee's proposals for the procedure on appointing the members of the Nomination Committee and the assignment of the Nomination Committee.



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- Approval of the Nomination Committee's proposal to elect PricewaterhouseCoopers as auditor of the Company for the period running from the close of the Annual General Meeting 2007 until the close of the Annual General Meeting 2011, and to pay fees to the auditor against approved account.
- Approval of the principles on remuneration and other employment terms for Group management.

The Board of Director's proposed implementation of a Long-Term Variable compensation plan for 2007 did not obtain the majority requirement of 90 percent and was thus not approved by the Annual General Meeting.

**Ericsson's Extraordinary General Meeting 2007**

The Board of Directors called an Extraordinary Meeting of Shareholders to resolve on a revised Long-Term Variable compensation program 2007. At the Extraordinary General Meeting held on June 28, 2007, the 126 shareholders, representing 58,6 percent of the votes, resolved to implement the revised compensation program as proposed by the Board of Directors.

At this Extraordinary General Meeting, the Company introduced voting through voting units, so-called Televoters.

**Ericsson's Annual General Meeting 2008**

Ericsson's Annual General Meeting 2008 will take place on April 9, 2008, at the Globe Arena in Stockholm. This was announced in conjunction with the release of the third-quarter financial report in 2007.

**NOMINATION COMMITTEE**

A Nomination Committee was elected by the Annual General Meeting for the first time in 2001. Since then, each Annual General Meeting has appointed a Nomination Committee, or resolved on the procedure for appointing the Nomination Committee. The Nomination Committee represents the shareholders of the Company. However, for obvious reasons, all shareholders cannot participate in the work of the Nomination Committee, nor is it possible for the Nomination Committee to liaise with all shareholders. The Annual General Meeting of Shareholders 2007 has thus resolved that the Nomination Committee shall consist of the Chairman of the Board of Directors and representatives of the four largest shareholders as per the end of the month in which the Annual General Meeting is held. However, as further described in the procedure for appointing members to the Nomination Committee, the Nomination Committee may comprise additional members pursuant to a request by a shareholder justified by changes in shareholder structure.

**Members of the Nomination Committee**

The Nomination Committee, appointed on the basis of the procedure resolved by the Annual General Meeting of Shareholders 2007, consists of four representatives appointed by the four shareholders with the greatest voting power as of April 27, 2007: Jacob Wallenberg (Investor AB), Carl-Olof By (AB Industrivärden, Chairman of the Nomination Committee), Caroline af Ugglas (Livförsäkringsaktiebolaget Skandia) and Mats Lagerqvist (Swed-bank Robur Fonder) and further, Michael Treschow (Chairman of the Board of Directors).

**The tasks of the Nomination Committee**

The tasks of the Nomination Committee have evolved over the years to comply with the requirements of the Code and best-practice provisions. Since the inception of the Nomination Committee, its main task has been to propose candidates for election to the Board of Directors. The Nomination Committee must take into consideration all the various rules on independence of the Board applicable to the Company, which are further described in the end of this report.

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The Nomination Committee also proposes a candidate for election of the Chairman of General Meetings of Shareholders. In addition, the Nomination Committee prepares proposals concerning the level of remuneration for Directors elected by the Annual General Meeting of Shareholders not employed by Ericsson, the auditors and members of the Nomination Committee for resolution by the Annual General Meeting. To date, the Nomination Committee has not proposed that it should be paid any fees.

Moreover, in years in which auditors are elected, the Nomination Committee proposes candidates based on the preparations carried out by the Audit Committee of the Board.

Any shareholder may submit recommendations to the Nomination Committee at any time via e-mail ([nomination.committee@ericsson.com](mailto:nomination.committee@ericsson.com)) or post:

Telefonaktiebolaget LM Ericsson  
The Nomination Committee  
c/o General Counsel's Office  
SE-164 83 Stockholm Sweden

**Work of the Nomination Committee for the Annual General Meeting 2008**

To make the right assessments, in terms of the competence and experience required by the Board, the Nomination Committee has thoroughly familiarized itself with how the Board has functioned throughout the year and with the Company's strategy and future challenges. The Nomination Committee has performed a search process in view of identifying possible future candidates to the Board. More details on the work of the Nomination Committee is envisaged to be published via the Company website in connection with the notice of the Annual General Meeting of Shareholders 2008.

**BOARD OF DIRECTORS**

The Board of Directors is ultimately responsible for the organization of the Company and the management of the Company's operations. It develops guidelines and instructions for the day-to-day management of the Company, conducted by the President and CEO who ensures that the Board of Directors receives regular reports regarding the Group's business development—its results, financial position and liquidity—and events of importance to the Group.

According to the Articles of Association, Ericsson's Board of Directors shall consist of a minimum of five directors and a maximum of 12 directors, with no more than six deputies. Directors are elected by the shareholders at the Annual General Meeting for the period from the close of the Annual General Meeting until the close of the following Annual General Meeting, but can serve any number of consecutive terms. In addition, under Swedish law, unions have the right to appoint three directors and their deputies to the Ericsson Board of Directors.

Ericsson abides by strict rules and regulations regarding conflicts of interest. Directors and the President and CEO cannot participate in any decision regarding agreements between themselves and the Company, or between the company and any third party or legal entity in which the individual has an interest.

Further, the Audit Committee has implemented a procedure for complying with NASDAQ's rules on related-party transactions as well as a pre-approval process for non-audit services carried out by the external auditors, in order to ensure their Independence.

**Members of the Board of Directors**

Our Board of Directors consists of 10 Directors, including the Chairman of the Board, elected by the shareholders at the Annual General Meeting for the period until the close of the next Annual General Meeting,

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and three employee representatives, each with a deputy, appointed by the trade unions for the same period of time. While the President and CEO of the Company may be elected as a director on the Board, the Swedish Companies Act prohibits the President of a public company from being elected Chairman of the Board.

**Work Procedure of the Board of Directors**

Complementary to the provisions in the Swedish Companies Act and the Articles of Association of the Company, the Board of Directors has adopted a work procedure for its activities that outlines rules regarding the distribution of tasks between the Board and its Committees as well as between the Board, its Committees and the President and CEO. The work procedure is reviewed, evaluated and adopted by the Board as required, at least once a year.

**Independence of the Directors**

In connection with its proposal to the Annual General Meeting of Shareholders 2007, the Nomination Committee elected by the Annual General Meeting of Shareholders 2006 concluded that, for the purposes of the Swedish Code of Corporate Governance, at least the following Directors are independent of the Company and its senior management, as well as of the Company's major shareholders: Sir Peter L. Bonfield, Katherine Hudson, Ulf J. Johansson, Nancy McKinstry and Michael Treschow.

**Work of the Board of Directors**

The work of the Board follows a yearly cycle, starting with the statutory Board meeting held in connection with the Annual General Meeting. Members to each of the three Committees of the Board are appointed at the statutory meeting, and the Board resolves on matters such as authorization to sign for the Company. At the next ordinary meeting, the Board handles the first interim report for the year along with the press release related to the report. In June, a Board meeting generally takes place away from Company headquarters, giving Directors a chance to visit major Company operations. Towards the end of July, the Board meets to handle the interim report for the second quarter of the year. Strategy matters are frequently addressed at any appropriate Board meeting but a two-day Board meeting in August is entirely devoted to the overall strategy of the Group, bringing to a close the strategy planning process initiated during the previous year. The August meeting also addresses the overall risk management of the Group. A third quarter interim report Board meeting is held at the end of October. Towards the end of the year, the Board thoroughly evaluates its own work. This evaluation serves as a guide for the work of the Nomination Committee. The conclusions of the Board work evaluation are presented and discussed at the Board meeting in December, which also addresses budget and financial outlook. At the first meeting of the calendar year, generally in the end of January, the Board focuses on the financial result of the entire year and also handles the fourth quarter report. And at the Board meeting in February, which closes the yearly cycle of work, the Board signs the annual report.

As the Board is responsible for financial oversight, financials are presented and evaluated at each board meeting. Further, each Board meeting generally includes reports by the Chairman of each of the three Committees based on the minutes from the Committee meetings, which were distributed to all Directors prior to the Board meeting. Further, a Board meeting typically includes the President and CEO's report on general business and market developments, including the performance of the Company. The Board is regularly informed of recent developments of legal and regulatory matters, and addresses, whenever necessary, the adoption and implementation of various corporate governance rules. Material for each Board meeting is distributed by the Board of Directors' Secretariat according to a pre-established time plan. The time plan is established with due regard for corporate governance requirements including prompt distribution of minutes of Board meetings.

Unless exceptional circumstances prevent them from doing so, all Directors participate in all Board meetings.

The Board meets with Ericsson's external auditors at least once a year to receive and consider the auditors' observations regarding the annual report and internal controls. The auditors also prepare reports to the

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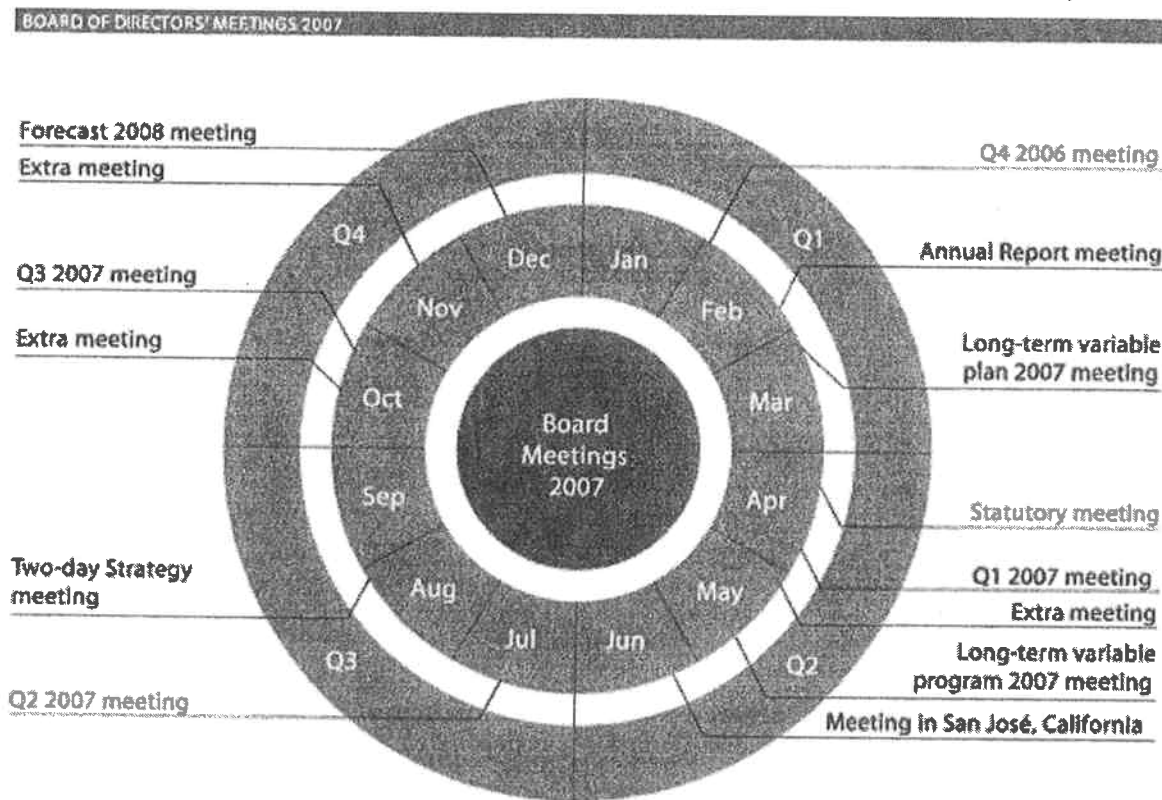
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management annually on the accounting and financial reporting practices of the Company and the Group. Moreover, the Audit Committee meets with the auditors to receive and consider the auditors' observations on the interim reports. The Audit Committee reports its findings to the Board. The auditors have been instructed to reflect in their reports whether the Company and Group are organized such that the accounts, the management of funds and the financial position of the Company and Group in other respects are up to good standard and can be controlled in a prudent manner. The Board has reviewed and assessed the Company's process for financial reporting, as described below in "Internal control over financial reporting for year 2007". The Board's own review of interim and annual reports in combination with the Company's internal controls is deemed to give reasonable assurance regarding the quality of the financial reporting.

**Training of the Board of Directors**

All new Directors receive comprehensive training tailored to their individual requirements. Induction training includes meetings with the heads of all the major businesses and functions and, if appropriate, training arranged by OMX Nordic Exchange Stockholm to enhance Directors' knowledge regarding listing issues and insider rules. In addition, full-day training sessions are generally held twice a year for all Directors, to assist them in their work for Ericsson by enhancing their knowledge of Group operations and by covering specific issues, as needed.

Board training sessions organized by the Company in 2007 have included the strategy process and decision structure, product management and market/customer driven development to provide the Director's with an in-depth knowledge of the Company's products and their life cycles.





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**Work of the Board of Directors in 2007**

The work of the Board of Directors has become increasingly extensive calling for fourteen Board meetings in 2007. Attendance at Board and Committee meetings is reflected in the table "Directors' Attendance and Board of Directors' Fees." Two meetings were held away from the Company headquarters, one in San José, California, to meet with the management of newly acquired companies and to understand in further depth the operations of these companies, and one Board meeting was held at the premises of Sony Ericsson in Lund, with a focus on Sony Ericsson's strategies.

Apart from regular matters addressed in line with the yearly cycle outlined above, the Board addressed, inter alia, several strategic matters such as the acquisition of Entrisphere, Tandberg Television AS and LHS AG. The Board further addressed long- and short-term objectives and strategies with regard to a continued operator and vendor consolidation, increased data traffic in telephone networks, the effects of introducing IP technology with increased focus on content and multimedia and the changing competitive landscape among telephone operators, cable TV providers and other data-network operators.

In terms of remuneration, the Board put forward a proposal for a Long-term variable compensation program 2007 to the Annual General Meeting of Shareholders 2007, and following this compensation program not gaining approval, the Board submitted a revised proposal for a Long-term variable compensation program 2007 that to an Extraordinary General Meeting of Shareholders. Moreover, the Board has during the year decided on a change in the financial reporting structure, with four reporting operating segments: Networks, Professional Services, Multimedia, and Phones.

The heads of the three Business Units have been present at at least one meeting to make in-depth presentations of their respective areas of responsibility and to present major acquisitions projects.

The Board is mindful of the complexity, the dynamics and rapid development within our industry and consequently monitoring and analyzing market trends and development is in focus.

Despite this focus, the unexpected drop in sales, of in particular higher margin products, at the very end of the third quarter that resulted in the profit warning on October 16 came as a surprise. Following the profit warning, the management and the Board have thoroughly analyzed the situation and have initiated actions to address the complex market dynamics going forward.

**Board work evaluation**

The Chairman of the Board initiates and leads a thorough evaluation of Board and Committee work and procedures each year. The evaluation process includes detailed questionnaires as well as interviews and discussions. In 2007, the Chairman held individual meetings with each Director, and each Director responded to three separate written questionnaires; one that covered the Board work in general, one that covered the Chairman's performance, and one that covered the performance of the President and CEO. The Chairman and the President and CEO are neither involved in the development, compilation or evaluation of the questionnaires related to their respective performances, nor are they present when their respective performance is evaluated. The results of the evaluation were presented to the Board in December and gave evidence that generally the Board works well and in an effective manner.

**Committees of the board of directors**

The Board of Directors has established three Committees: the Audit, Finance and Remuneration Committees. The Board appoints each of the Committee members amongst the Board members. The work of the Committees is principally preparatory, that is they prepare matters for final resolution by the Board. However, the Board has authorized each Committee to determine certain issues in limited areas and may also provide extended authorization to

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a Committee to determine specific matters. The Board of Directors and each Committee have the right to engage external expertise, either in general or in respect to specific matters, if deemed appropriate.

Prior to each Board meeting, each Committee submits a report to the Board on the issues handled, resolved or referred to the Board since the previous ordinary Board meeting. The minutes of each Committee meeting are attached to the minutes of the Board meeting following each Committee meeting.

**ORGANIZATION OF THE BOARD WORK**

Board of Directors 13 Directors		
Audit Committee (4 Directors)	Finance Committee (4 Directors)	Remuneration Committee (4 Directors)
<ul style="list-style-type: none"> <li>Oversight over financial Reporting</li> <li>Oversight over internal Control</li> <li>Oversight over auditing</li> </ul>	<ul style="list-style-type: none"> <li>Financing</li> <li>Investing</li> <li>Customer credits</li> </ul>	<ul style="list-style-type: none"> <li>Remuneration policy</li> <li>Long-term variable remuneration</li> <li>Executive compensation</li> </ul>

**DIRECTORS' ATTENDANCE AND BOARD OF DIRECTORS' FEES 2007**

	Board Meetings	Audit	Finance	Remuneration	Fee
Michael Treschow	14	—	7	8	4,000,000
Sverker Martin-Löf	14	8 <sup>3)</sup>	—	—	1,000,000
Marcus Wallenberg	14	—	7	—	875,000
Peter L. Bonfield	14	8	—	—	1,000,000
Börje Ekholm	13	—	—	8	875,000
Katherine Hudson	13	—	—	—	750,000
Ulf J. Johansson	14	8 <sup>4)</sup>	—	—	1,100,000
Nancy McKinstry	14	—	—	8	875,000
Anders Nyrén	13	—	7	—	875,000
Carl-Henric Svanberg	14	—	—	—	—
Monica Bergström	14	—	—	8	19,600
Jan Hedlund	12	7	—	—	16,900
Torbjörn Nyman	14	—	7	—	19,700
Anna Guldstrand	13	—	—	—	18,000
Kristina Davidsson	13	—	—	—	18,000
Karin Åberg	11	—	—	—	16,500
Per Lindh	2	—	—	—	2,000
<b>Total</b>	<b>14</b>	<b>8</b>	<b>7</b>	<b>8</b>	<b>11,460,700</b>

- 1) Resigned from the Board of Directors as of April 11, 2007.
- 2) Joined the Board of Directors as of April 11, 2007.
- 3) Resigned as chairman as of April 11, 2007.
- 4) New Chairman as of April 11, 2007.



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*The Audit Committee*

The Audit Committee, on behalf of the Board, monitors the integrity of the financial statements, compliance with legal and regulatory requirements and the effectiveness of our systems of internal control over financial reporting.

The Audit Committee is also primarily responsible for reviewing annual and interim financial reports and for overseeing the external audit process, including audit fees.

This involves:

- reviewing, with management and the external auditors, the financial statements including conformity with generally accepted accounting principles;
- reviewing, with management, the reasonableness of significant estimates and judgments made in preparing the financial statements, as well as the quality of the disclosures in the financial statements;
- reviewing matters arising from reviews and audits performed.

The Audit Committee itself does not perform audit work. Ericsson has an internal audit function, which reports to the Audit Committee and performs independent audits.

The Audit Committee is also involved in the preparatory work of proposing candidates for the election of auditors, when applicable, and monitors their ongoing performance and independence, as well as monitoring Group transactions to avoid conflicts of interest. To achieve this, the Audit Committee has implemented approval procedures for audit and other services performed by the external auditors (see "Audit Committee Pre-approval Policies and Procedures"); a pre-approval process for transactions with related parties; and a "whistle-blower" procedure for the reporting of violations in relation to accounting, internal controls and auditing matters.

Alleged violations are investigated by Ericsson's internal audit function in conjunction with the relevant Group Function. Information regarding any incidents, including measures taken, details of the responsible Group Function and the status of any investigation are reported to the Audit Committee.

*Members of the Audit Committee*

The Audit Committee consists of four members appointed by the Board from among its members. In 2007, the Audit Committee comprised Ulf J. Johansson (Chairman of the Committee since April, 2007), Severer Martin of (Chairman of the Committee until April, 2007), Sir Peter L. Bonfield, and Jan Hedlund. All members, except the employee representative, are independent from the Company and senior management. Each member is financially literate and familiar with the accounting practices of an International company comparable to Ericsson. At least one member must be an audit committee financial expert. The Board of Directors has determined that Ulf J. Johansson, Severer Martin of and Sir Peter L. Bonfield all satisfy these requirements.

The Audit Committee has appointed an external expert advisor, Mr. Peter Markborn, formerly authorized public accountant, to assist and advise the Committee.

*Work of the Audit Committee*

The Audit Committee held eight meetings in 2007—attendance is reflected in the table "Directors' Attendance and Board of Directors' Fees 2007." During the year, the Audit Committee reviewed financial reports, the scope and execution of audits performed, and the independence of the external auditors; approved the annual audit plan for the internal audit function; and reviewed its reports and monitored the external audit fees. Further, together with the external auditors, the Audit Committee reviewed each interim report prior to publishing. The unexpected short-fall in the third quarter caused the Audit Committee to analyze forecasting processes and possible new market trends. The Committee also monitors the Company's continued compliance with the Sarbanes-Oxley act. In addition, certain services other than audits performed by the external auditors

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have been approved by the Audit Committee under the pre-approval policies and procedures. The Committee has also approved certain related-party transactions in accordance with the pre-approval process implemented by the committee.

*The Finance Committee*

The Finance committee is primarily responsible for:

- handling matters regarding acquisitions and divestments;
- capital contributions to companies inside and outside the Ericsson Group;
- raising of loans, issuances of guarantees and similar undertakings and approvals of financing support to customers; and
- continually monitoring the Group's financial risk exposure.

The Finance committee is authorized to determine matters such as direct or indirect financing, provision of credits, granting securities and guarantees and certain investments, divestments and financial commitments, or can delegate this power.

*Members of the Finance Committee*

The Finance committee consists of four members appointed by the Board from among its members. In 2007, the Finance Committee comprised Marcus Wallenberg (Chairman of the Committee), Anders Nyrén, Torbjörn Nyman and Michael Treschow.

*Work of the Finance Committee*

The Finance Committee held seven meetings in 2007—attendance is reflected in the table “Directors’ Attendance and Board of Directors’ Fees 2007”. The work during the year mainly consisted of approving customer financing and credit facility arrangements with a continued focus on capital structure, cash flow and cash generating ability. The Finance Committee also monitored the financial risk exposure and risk limits and was regularly informed on a large amount of finance-related matters.

*The Remuneration Committee*

The Remuneration Committee's main responsibility is to advise the Board of Directors regarding salary and other remuneration, including retirement compensation of the President and CEO, Executive Vice Presidents and other officers reporting directly to the President and CEO. other responsibilities include:

- developing and monitoring strategies and general guidelines for employee remuneration, including variable plans and retirement compensation;
- approving variable pay under the previous year's plan (beginning of each year);
- preparation of the long-term variable remuneration program for referral to the Board and subsequent resolution by the General Meeting of shareholders, and
- preparation of the targets for variable pay for the following year for resolution by the Board.

To achieve this, the committee holds annual strategic remuneration reviews with representatives of the Company to determine the direction to follow, allowing program designs and pay policies to be aligned with the business situation. Consideration is given to trends in remuneration, legislative changes, disclosure rules and the general global environment surrounding executive pay. The committee reviews salary survey data to approve any base pay increase for executives, effective from the following January.

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*Members of the Remuneration Committee*

The remuneration committee consists of four members appointed by the Board from among its members. In 2007, the Remuneration Committee comprised Michael Treschow (Chairman of the Committee), Nancy McKinstry, Monica Bergström and Börje Ekholm.

The remuneration committee has appointed an independent expert advisor, Mr. Gerrit Aronson, to assist and advise the Committee, in particular with regard to international trends and developments.

*Work of the Remuneration Committee*

The remuneration committee held eight meetings in 2007—attendance is reflected in the table “Directors’ attendance and Board of Directors’ Fees 2007”. The committee reviewed and prepared for the Board a proposal for a long-term variable compensation plan 2007, which was not approved by the Annual General Meeting of shareholders in April. A revised proposal for a long-term variable compensation program was therefore prepared and presented to the Board and ultimately to the shareholders at an Extraordinary General Meeting of shareholders in June. The Committee also prepared proposals for salaries and variable pay for 2007, including remuneration of the President and CEO. Towards the end of the year, the Committee concluded its analysis of the current long-term variable program structure and remuneration policy to be referred to the Annual General Meeting of Shareholders 2008 for resolution. For further information on remuneration, fixed and variable pay, please see “Notes to the Consolidated Financial Statements—Note C29, information regarding employees, Members of the Board of Directors and Management” in the Annual Report.

**MEMBERS OF THE BOARD OF DIRECTORS****Board members elected by the Annual General Meeting of Shareholders****Michael Treschow (first elected 2002)***Chairman of the Board of Directors**Chairman of the Remuneration Committee**Member of the Finance Committee*

Born 1943, Master of Engineering, Lund Institute of Technology, **Board Chairman:** Unilever NV, and Unilever PLC. **Board member:** ABB Ltd and the Knut and Alice Wallenberg Foundation. **Holdings in Ericsson<sup>1)</sup>:** 820,043 Class B shares

**Principal work experience and other information:** Board Chairman of the Confederation of Swedish Enterprise 2004–2007, President and CEO of AB Electrolux 1997–2002 and Chairman of its Board of Directors 2004–2007. Earlier positions mainly include positions within Atlas Copco, where he served as President and CEO 1991–1997. Member of the Royal Academy of Engineering Sciences.

**Marcus Wallenberg (first elected 1996)***Deputy Chairman of the Board of Directors**Chairman of the Finance Committee*

Born 1956, Bachelor of Science of Foreign Service, Georgetown University, USA. **Board Chairman:** Skandinaviska Enskilda Banken, Saab AB, AB Electrolux, and International Chamber of Commerce (ICC). **Board member:** AstraZeneca PLC, Stora Enso Oy, the Knut and Alice Wallenberg Foundation and FAM-Foundation Asset Management. **Holdings in Ericsson<sup>1)</sup>:** 710,000 Class B shares

1) The number of Class B shares (and Class A shares and options, if applicable) includes holdings by related natural or legal persons.

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**Principal work experience and other information:** Positions within Investor AB, where he served as President and CEO 1999–2005. Prior to this he was Executive Vice President at Investor. Previous employers include Stora Feldmühle AG, Citicorp, Citibank and Deutsche Bank.

**Sverker Martin-Löf (first elected 1993)**  
*Deputy Chairman of the Board of Directors*  
*Member of the Audit Committee*

Born 1943, Doctor of Technology and Master of Engineering, Royal Institute of Technology, Stockholm. **Board Chairman:** Skanska, Svenska Cellulosa Aktiebolaget SCA and SSAB. Deputy Chairman: Industrivärden, the Confederation of Swedish Enterprise and Svenska Handelsbanken. **Holdings in Ericsson**<sup>1</sup>: 52,000 Class B shares

**Principal work experience and other information:** President and CEO of Svenska Cellulosa Aktiebolaget SCA 1990–2002, where he was employed 1977–1983 and 1986–2002. Previous positions at Sunds Defibrator and Mo och Domsjö AB.

**Sir Peter L. Bonfield (first elected 2002)**  
*Member of the Audit Committee*

Born 1944, Honors degree in Engineering, Loughborough University, Leicestershire, UK. **Chairman of the Supervisory Board NXP. Deputy Chairman:** British Quality Foundation. **Board member:** Mentor Graphics Inc., Sony Corporation, and TSMC. **Holdings in Ericsson**<sup>1</sup>: 22,000 Class B shares.

**Principal work experience and other information:** CEO and Chairman of the Executive Committee of British Telecommunications plc (1996–2002). Chairman and CEO of ICL PLC (1990–1996). Positions with STC PLC and Texas Instruments Inc. Member of the International Advisory Board of Citi. Member of the Advisory Boards of New Venture Partners LLP, and The Longreach Group. Non-executive Director of Actis Capital LLP, Ministry of Justice, and Dubai International Capital.

**Börje Ekholm (first elected 2006)**  
*Member of the Remuneration Committee*

Born 1963, Master of Science in Electrical Engineering, Royal Institute of Technology, Stockholm. Master of Business Administration, Insead, France. **Board member:** Investor AB, AB Chalmersinvest, Husqvarna AB, Scania and KTH Holding AB. **Holdings in Ericsson**<sup>1</sup>: 108,803 Class B shares

**Principal work experience and other information:** President and CEO of Investor AB since 2005. Prior to this, Börje Ekholm was head of Investor Growth Capital Inc and New Investments. Previous positions at Novare Kapital AB and McKinsey & Co Inc.

**Katherine M. Hudson (first elected 2006)**

Born 1947, Bachelor of Science in Management, Indiana University, USA. **Board member (and Lead Director):** Charming Shoppes Inc. **Holdings in Ericsson**<sup>1</sup>: 102,000 Class B shares

**Principal work experience and other information:** President and CEO of Brady Corporation 1994–2003. Management positions with Eastman Kodak Company, where she was employed for 24 years.

1) The number of Class B shares (and Class A shares and options, if applicable) includes holdings by related natural or legal persons.

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**Ulf J. Johansson (first elected 2005)***Chairman of the Audit Committee*

Born 1945, Doctor of Technology and Master of Science in Electrical Engineering, Royal Institute of Technology, Stockholm. **Board Chairman:** Acando AB, Eurostep Group AB, Novo A/S, Novo Nordisk Foundation, and Trimble Navigation Ltd. **Board member:** Jump Tap Inc. **Holdings in Ericsson<sup>1)</sup>:** 32,176 Class B shares

**Principal work experience and other information:** Founder of Europolitan Vodafone AB, where he was the Chairman of the Board 1990–2005. Previous positions at Spectra-Physics AB, where he was the President and CEO, Ericsson Radio Systems AB. Member of the Royal Academy of Engineering Sciences.

**Nancy McKinstry (first elected 2004)***Member of the Remuneration Committee*

Born 1959, Master of Business Administration in Finance and Marketing, Columbia University, USA. Bachelor of Arts in Economics, University of Rhode Island, USA. **Board Chairman:** CEO and Chairman of the Executive Board of Wolters Kluwer n.v. **Board member:** The American Chamber of Commerce, the Netherlands, and TiasNimbas Business School. **Holdings in Ericsson:** None

**Principal work experience and other information:** CEO and Chairman of the Executive Board of Wolters Kluwer n.v. President and CEO of CCH Legal Information Services (1996–1999). Previous positions at Booz, Allen & Hamilton, and New England Telephone Company. Member of the Advisory Board of the University of Rhode Island, the Advisory Council of the Amsterdam Institute of Finance, the Dutch Advisory Council of INSEAD, and the Board of Overseers of Columbia Business School.

**Anders Nyrén (first elected 2006)***Member of the Finance Committee*

Born 1954, Graduate of Stockholm School of Economics, Master of Business Administration from Anderson School of Management, UCLA, USA. **Board Chairman:** Association of Exchange Listed Companies and Association for Generally Accepted Principles in the Securities Market. **Deputy Chairman:** Sandvik AB, Svenska Handelsbanken. **Board member:** Svenska Cellulosa Aktiebolaget SCA AB, Industrivärden, Skanska, SSAB, and Ernströmsgruppen. **Holdings in Ericsson<sup>1)</sup>:** 33,428 Class B shares

**Principal work experience and other information:** President and CEO of Industrivärden since 2001. CFO and EVP of Skanska AB 1997–2001. Nordbanken 1996–1997. CFO and EVP of Securum AB 1992–1996. Managing Director of OM International AB 1987–1992. Earlier positions at STC Scandinavian Trading Co AB and AB Wilhelm Becker.

**Carl-Henric Svanberg (first elected 2003)**

Born 1952, Master of Science, Linköping Institute of Technology. Bachelor of Science in Business Administration, University of Uppsala. **Board Chairman:** Sony Ericsson Mobile Communications AB. **Deputy Chairman:** Assa Abloy AB. **Board member:** The Confederation of Swedish Enterprise, Melker Schörling AB and Uppsala University. **Holdings in Ericsson<sup>1)</sup>:** 15,781,966 Class B shares

<sup>1)</sup> The number of Class B shares (and Class A shares and options, if applicable) includes holdings by related natural or legal persons.

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**Principal work experience and other information:** President and CEO of Telefonaktiebolaget LM Ericsson since 2003. Prior to this, Carl-Henric Svanberg was the President and CEO of Assa Abloy AB (1994–2003). Various positions within Securitas AB (1986–1994) and ABB Group (1977–1985). Carl-Henric Svanberg does not have material shareholdings or part ownerships in companies with which the Company has material business relationships.

**Board members and deputies appointed by the unions:****Monica Bergström (first appointed 1998)***Employee representative**Member of the Remuneration Committee*

Born 1961. Appointed by the SIF union. Holdings in Ericsson<sup>1)</sup>: 4,757 Class B shares

**Jan Hedlund (first appointed 1994)***Employee representative**Member of the Audit Committee*

Born 1946. Appointed by the IF Metall union. Holdings in Ericsson<sup>1)</sup>: 2,040 Class B shares

**Torbjörn Nyman (first appointed 2004)***Employee representative**Member of the Finance Committee*

Born 1961. Appointed by the Swedish Association of Graduate Engineers union. Holdings in Ericsson<sup>1)</sup>: 15,061 Class B shares

**Kristina Davidsson (first appointed 2006)***Deputy employee representative*

Born 1955. Appointed by the IF Metall union. Holdings in Ericsson<sup>1)</sup>: 3,401 Class B shares

**Anna Guldstrand (first appointed 2004)***Deputy employee representative*

Born 1964. Appointed by the union The Swedish Association of Graduate Engineers. Holdings in Ericsson<sup>1)</sup>: 4,723 Class B shares, 900 options.

**Karin Åberg (first appointed 2007)***Deputy employee representative*

Born 1959. Appointed by the SIF union. Holdings in Ericsson<sup>1)</sup>: 4,877 Class B shares

Carl-Henric Svanberg is the only Director who holds an operational management position at Ericsson. No Director has been elected pursuant to an arrangement or understanding with any major shareholder, customer, supplier or other person.

1) The number of Class B shares (and Class A shares and options, if applicable) includes holdings by related natural or legal persons.



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**COMPANY MANAGEMENT****The President and Chief Executive Officer—operational management**

The Board of Directors appoints the President and CEO and the Executive Vice Presidents. Management of day-to-day operations is the responsibility of the president and CEO and the Group Management Team which, in addition to the President and CEO, consist of the Chief Financial Officer, the Chief Technology Officer, the Heads of Group Functions and the Heads of the three Business Units: Networks, Global services, and Multimedia.

The role of the Group Management Team is to

- establish long-term vision, Group strategies and policies;
- maximize the Group's business
- secure operational excellence and realize global synergies

The Group Management Team meets monthly to discuss business and decisions and to share information of common interest to Ericsson.

The Extended Management Team consists of the Group Management Team and selected Market Unit Managers. The Extended Management Team meets regularly to discuss strategic issues and operations.

**Group Functions**

Ericsson's Group Functions perform tasks pertaining to group-wide matters that logically do not fall into a specific operational unit: Communications, Finance, Human Resources & Organization, Legal Affairs, Technology, Sales & Marketing, and Strategy & Operational Excellence.

The Head of a Group Function acts on behalf of the President & CEO within the Group Function's area.

The Group Functions formulate Group strategy, issue directives, perform business control, resource allocation and risk management. They are also responsible for consolidation and reporting of financial performance, financing and cash management, legal issues, communication with stakeholders including employees, investors, press and media as well as coordination and administration of a number of Group-wide issues. Other important Group-wide matters, such as Corporate Responsibility, are managed by Group Functions in conjunction with a network of experts from various parts of the Company.

**Operating Units**

Due to the increased focus on the new types of services made available in public telecommunication networks through the technical development, including IP-technology and high-speed broadband, and the growth in our professional services business, our financial performance is from 2007 reported in four business segments: Networks, Professional Services, Multimedia and Phones; this replaces the previous structure with a large Systems segment and Other Operations. Segment Phones, representing our share in earnings of our joint venture Sony Ericsson Mobile communications, is unchanged.

Effective January 1, 2007, the Company's operational organization comprises three Business Units responsible for product management, marketing, development, sourcing and supply of their respective product portfolios: Networks, Global Services and Multimedia; 24 Market Units responsible for sales and customer relations in different regions; and Group Functions for coordination and support.

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Management of each operating unit has significant authority and responsibility in relation to day-to-day operations, while governance is carried out by steering committees that include representatives of the Group Management Team, the Extended Management Team and the unit's own management.

**Risk Management**

The Company has implemented a management system to secure adequate risk management, operational efficiency and control. The system consists of three parts:

- the Company's organization and mode of operations, with well-defined roles and responsibilities, segregation of duties and delegation of authority;
- steering documents, such as policies and directives, and a code of business ethics; and
- several well-defined business processes, including integrated controls supported by IT applications.

Risk management is integrated into each business process and includes steps for identifying and assessing risk as well as for approval and control. Risks are managed in three time horizons:

- The annual strategy process defines objectives and assesses risks and opportunities in several dimensions (technology, products, markets, customers, subscriber and traffic growth, general economic development, operational efficiency, profitability, capital efficiency, resources, acquisitions) from a long-term (3-8 year) perspective. The Board develops and approves the strategies.
- The annual target-setting process identifies near-term risks and opportunities for Business Units, Market Units, and Group Functions. The process uses a balanced-scorecard approach, covering multiple dimensions: financial risks, markets/customers, innovation/products and services, operational efficiency and employee competence/empowerment.
- During day-to-day business transactions. All parts of the organization require the approval of transactions to operate; that is, approval to develop new products, to offer contracts to customers, to grant credit to customers, and to make acquisitions and other investments. Efficient operations are driven by the implementation of standardized processes across the entire Group and by appointed process owners, with responsibility for process development and performance.

**Members of the Group Management Team****Carl-Henric Svanberg**

*President and CEO and member of the Board of Directors (since 2003)*

Born 1952, Master of Science, Linköping Institute of Technology, Bachelor of Science in Business Administration, University of Uppsala.

Carl-Henric Svanberg holds honorary doctorates at Luleå University of Technology, Sweden and Linköping University of Technology, Sweden.

**Chairman:** Sony Ericsson Mobile Communications AB. **Deputy chairman:** Assa Abloy AB **Board member:** The Confederation of Swedish Enterprise, Melker Schörling AB and University of Uppsala. **Holdings in Ericsson:** 15,781,966 Class B shares

**Background:** President and CEO of Assa Abloy AB (1994–2003). Various positions within Securitas AB (1986–1994) and ABB Group (1977–1985).

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**Hans Vestberg***Executive Vice President and Chief Financial Officer and head of Group Function Finance (since October 2007) and Executive Vice President and head of Business Unit Global Services (up to December 31, 2007)*

Born 1965, Bachelor in Business Administration, University of Uppsala. **Board member:** Sony Ericsson Mobile Communications AB, Svenska Handbollsförbundet. **Holdings in Ericsson**<sup>1)</sup>: 45,999 Class B shares.

**Background:** Prior to these positions Hans Vestberg was Vice President and head of Market Unit Mexico (2002–2003). Hans Vestberg has held various positions in the Company since 1988.

**Kurt Jofs***Executive Vice President and head of Business Unit Networks (since 2007)*

Born 1958, Master of Science, Royal Institute of Technology, Stockholm. **Deputy board member:** Sony Ericsson Mobile Communications AB. **Holdings in Ericsson**<sup>1)</sup>: 260,106 Class B shares

**Background:** Prior to assuming this position Kurt Jofs was Executive Vice President and head of Business Unit Access (since 2004). Other prior experiences include President and CEO of Linjebuss and ABB Ventilation Products.

**Bert Nordberg***Executive Vice President and head of Group Function Sales & Marketing (since 2004)*

Born 1956, Bachelor in Electronic Engineering, Malmö, Engineer in the Marines, Berga, university courses in International Management, Marketing and Finance, Insead University, France. **Chairman:** Litos reprotryck i Malmö AB. **Holdings in Ericsson**<sup>1)</sup>: 57,841 Class B shares

**Background:** Prior to assuming this position, Bert Nordberg was head of Business Unit Systems and held other various positions within Ericsson.

**Björn Olsson***Executive Vice President and deputy head of Business Unit Networks (since 2007)*

Born 1956, Master of Science in Industrial Engineering and Management, Linköping Institute of Technology. **Holdings in Ericsson**<sup>1)</sup>: 60,196 Class B shares

**Background:** Prior to assuming this position, Björn Olsson was Executive Vice President and head of Business Unit Systems (since 2004). Since 2004 he was Chief Information Officer. He has held various positions within Ericsson since 1981.

**Marita Hellberg***Senior Vice President and head of Group Function Human Resources & Organization (since 2003)*

Born 1955, Bachelor in Human Resources Management, Stockholm University, Advanced Management Program, Cedep, France. **Board member:** Sony Ericsson Mobile Communications AB, Utbildningsradion and Teknikföretagen. **Holdings in Ericsson**<sup>1)</sup>: 68,446 Class B shares

**Background:** Prior to assuming this position Marita Hellberg was Senior Vice President of Human Resources of NCC Group.

1) The number of Class B shares (and Class A shares, if applicable) includes holdings by related natural or legal persons. Options and matching rights are reported in Notes to the Consolidated Financial Statements—Note C29, “Information Regarding Employees, Members of the Board of Directors and Management” in the Annual Report.

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**Carl Olof Blomqvist***Senior Vice President, General Counsel and head of Group Function Legal Affairs (since 1999)*Born 1951, Master of law, LLM, University of Uppsala, Sweden. **Holdings in Ericsson**<sup>1)</sup>: 6,080 Class A shares and 70,424 Class B shares**Background:** Prior to assuming this position, Carl Olof Blomqvist was a partner of Mannheimer Swartling law firm.**Henry Sténson***Senior Vice President and head of Group Function Communications (since 2002)*Born 1955, Studied law, sociology and political science, Linköping University and at the Swedish War Academy, Karlberg, Stockholm. **Board member:** Stronghold, the Swedish Public Relations Association and the Stockholm Chamber of Commerce. **Holdings in Ericsson**<sup>1)</sup>: 59,128 Class B shares.**Background:** Prior to assuming his position, Henry Sténson was head of SAS Group Communication.**Håkan Eriksson***Senior Vice President, Chief Technology Officer and head of Group Function Technology (since 2007)*Born 1961, Master of Science and Honorary Ph D, Linköping Institute of Technology. **Board member:** Linköping University and Anoto. **Holdings in Ericsson**<sup>1)</sup>: 43,679 Class B shares**Background:** Prior to assuming this position, Håkan Eriksson was Senior Vice President and head of Research & Development. He has held various positions within Ericsson since 1986.**Joakim Westh***Senior Vice President and head of Group Function Strategy and Operational Excellence (since 2007)*Born 1961, Master of Science, Royal Institute of Technology, Stockholm, Master of Science within Aeronautics & Astronautics, MIT, Boston, USA. **Board chairman:** Absolut AB. **Board member:** Sony Ericsson Mobile Communications AB, VKR Holding A/S. **Holdings in Ericsson**<sup>1)</sup>: 135,744 Class B shares**Background:** Prior to assuming this position, Joakim Westh was senior Vice President and head of Group Function Operational Excellence. Member of Assa Abloy Executive Management Team. Before this, Joakim Westh was a partner with McKinsey & Co. Inc.**Jan Wäreby***Senior Vice President and head of Business Unit Multimedia (since 2007).*Born 1956, Master of Science, Chalmers University, Göteborg. **Board member:** Sony Ericsson Communications AB. **Holdings in Ericsson**<sup>1)</sup>: 167,746 Class B shares.**Background:** From 2002 to 2006, Jan Wäreby was Corporate Executive Vice President, and head of Sales and Marketing for Sony Ericsson Mobile Communications.

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1) The number of Class B shares (and Class A shares, if applicable) includes holdings by related natural or legal persons. Options and matching rights are reported in Notes to the Consolidated Financial Statements—Note C29, “Information Regarding Employees, Members of the Board of Directors and Management” in the Annual Report.

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Up to October 24, 2007, Karl-Henrik Sundström, former Executive Vice President and Chief Financial Officer and head of Group Function Finance, was a member of the Group Management Team of the company.

**Extended Management Team**

The Extended Management Team consists of the members in the Group Management Team and:

- Cesare Avenia, Vice President and head of Market Unit South East Europe and head of Global Customer Account Telecom Italia
- Bo-Erik Dahlström, Vice President and head of Market Unit Middle East
- Mats Granryd, Vice President and head of Market Unit India & Sri Lanka;
- Jan Embro, Vice President and head of Market Unit Sub Saharan Africa
- Björn Hemstad, Vice President within Group Function Sales & Marketing and chairman of the Market Units Central Europe, Eastern Europe & Central Asia, Israel & Turkey, Middle East, Saudi Arabia, Sub Saharan Africa and Northern Africa
- Jaqueline Hey, Vice President and head of Market Unit North Western Europe and head of Global Customer Account Vodafone
- Ingemar Naeve, Vice President and head of Market Unit Iberia and head of Global Customer Account Telefónica;
- Mats Olsson, Vice President and head of Market Unit Greater China;
- Torbjörn Possne, Vice President and head of Market Unit Northern Europe and head of Global Customer Account Deutsche Telekom;
- Angel Ruiz, Vice President and head of Market Unit North America;
- Jan Signell, Vice President and head of Market Unit South East Asia;

During 2007, the officers below were also members of the Extended Management Team of the Company:

- Sivert Bergman: head of Integration & Governance within Business Unit Networks
- Rory Buckley: former Vice President and head of Market Unit North East Asia left the company in October 2007
- Ragnar Bäck: former Chairman of the Market Units Central Europe, Eastern Europe & Central Asia, Israel & Turkey, Middle East, Saudi Arabia, Sub Saharan Africa and Northern Africa retired in March 2007
- Jan Campbell: former Vice President and head of Market Unit Central Europe. Jan Campbell was appointed head of Market Unit Eastern Europe & Central Asia in October 2007
- Jef Keustermans: former Vice President and head of Market Unit Northern Europe left the company in June 2007
- Gerhard Weise: former Vice President and head of Market Unit Mexico. Gerhard Weise retired in December 2007

Extended Management Team members are not involved in any business activities that compete with or in any other way negatively affect Ericsson's business. None of the Extended Management Team members have been appointed by arrangement or understanding with shareholders, customers, suppliers or other parties.

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**Remuneration of Group management**

Principles for remuneration and other employment terms for Group Management were approved by the Annual General Meeting of Shareholders 2007. For further information on remuneration, fixed and variable pay, see Notes to the Consolidated Financial Statements—Note C29, “Information Regarding Employees, Members of the Board of Directors and Management” in the Annual Report.

**AUDITORS**

Ericsson’s external, independent auditors are elected by the shareholders at the Annual General Meeting for a period of four years. The auditors report to the shareholders at Shareholders’ Meetings.

The auditors:

- update the Board of Directors regarding the planning, scope and content of the annual audit;
- examine the year-end financial statements and report findings to assess accuracy and completeness of the accounts and adherence to accounting procedures and principles;
- advise the Board of Directors of additional services performed (non-auditing), the consideration paid and other issues that are needed to determine the auditors’ independence. For further information on the contacts between the Board and the auditors, please see “Work of the Board of Directors” above.

All Ericsson’s quarterly reports are reviewed by the auditors.

**Statutory auditors**

PricewaterhouseCoopers AB was elected at the Annual General Meeting 2007 for a period of four years until the close of the Annual General Meeting 2011.

PricewaterhouseCoopers has appointed Bo Hjalmarsson, Authorized Public Accountant, to serve as auditor in charge. Bo Hjalmarsson is also auditor in charge at other large companies such as OMX, Sony Ericsson, Lundin Petroleum, Vostok Nafta, Vostok Gas and Duni.

**Fees paid to external auditors**

Ericsson paid the fees (including expenses) listed in the table in Notes to the Consolidated Financial Statements—Note C31, “Fees to auditors” in the Annual Report for audit-related and other services.

The Audit Committee reviews and pre-approves any non-audit services to be performed by the external auditors to ensure the auditors’ independence.

**AUDIT COMMITTEE PRE-APPROVAL POLICIES AND PROCEDURES**

The Audit Committee makes recommendations to the Board of Directors regarding the auditors’ performance and fees. It reviews the scope and execution of audits performed (external and internal) and analyzes the result and the cost.

The Audit Committee has established pre-approval policies and procedures for services other than audits performed by the external auditors. Such services fall into two broad headings:

General Pre-Approval services that can be pre-approved by the Audit Committee without consideration to specific case-by-case service. Tax, transaction, risk management, corporate finance, attestation and accounting services and general services have received a general pre-approval of the Audit Committee, provided that the



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estimated fee level for the project does not exceed SEK 1 million. The external auditors must advise the Audit Committee of services rendered under the general pre-approval policy.

Specific Pre-Approval—all other audit-related, tax and other services must receive specific pre-approval. The Audit Committee Chairman has the delegated authority for specific pre-approval, provided service fees do not exceed SEK 2.5 million. The Chairman reports any pre-approval decisions to the Audit Committee at its scheduled meetings. For other matters, an auditor submits an application to the CFO. If supported by the CFO, the application is presented to the Audit Committee for final approval.

Pre-approval authority may not be delegated to management. The policies and procedures include a list of prohibited services.

**DISCLOSURE CONTROLS AND PROCEDURES**

Ericsson has controls and procedures in place to make sure that information to be disclosed under the Securities Exchange Act of 1934, and under Ericsson's agreements with OMX Nordic Exchange Stockholm, London Stock Exchange and NASDAQ, is done so on time, and that such information is provided to management, including the CEO and CFO, so that timely decisions can be made regarding required disclosure.

To assist managers in fulfilling their responsibility with regard to disclosures made by the Company to its security holders and the investment community, a Disclosure Committee was established in 2003. One of the main tasks of the Disclosure Committee is to monitor the integrity and effectiveness of the Company's disclosure controls and procedures.

Further, Ericsson has investments in certain entities that Ericsson does not control or manage. Accordingly, our disclosure controls and procedures with respect to such entities are necessarily substantially more limited than those we maintain with respect to our subsidiaries.

During the year, management, with the participation of Ericsson's President and CEO and CFO, respectively, supervised and participated in an evaluation of the effectiveness of our disclosure controls and procedures. As a result, Ericsson's President and CEO and CFO concluded that the disclosure controls and procedures were effective as of December 31, 2007, at a reasonable assurance level.

There were no changes to our internal control over financial reporting during the period covered by the Annual Report 2007 that have materially affected, or are likely to materially affect, our internal control over financial reporting.

**ERICSSON'S DISCLOSURE POLICIES**

Ericsson's financial disclosure policies are designed to give transparent, informative and consistent communication with the investment community on a fair and equal basis, which will reflect in a fair market value for Ericsson shares. We want our shareholders and potential investors to have a good understanding of how our Company works, our operational performance, what our prospects are and the risks we face that these opportunities may not be realized.

To achieve these goals, our financial reporting and disclosure must be:

- Transparent—our disclosure should enhance understanding of the economic drivers and operational performance of our business, hence building trust and credibility.
- Consistent—we aim for consistent and comparable disclosure within and between reporting periods.